

# **State of Alaska FY2004 Governor's Operating Budget**

## **Department of Community & Economic Development Energy Operations Component Budget Summary**

## Component: Energy Operations

**Contact: Ronald W. Miller, Executive Director**  
**Tel:** (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** rmiller@aidea.org

### Component Mission

The mission of the Alaska Energy Authority - Rural Energy Operations component is to lower the cost and increase the reliability of rural energy systems.

### Component Services Provided

This component provides personnel resources and administrative support needed to implement Alaska Energy Authority's (AEA) rural energy programs, including bulk fuel storage upgrades, rural power system upgrades, power cost equalization, energy conservation and alternative energy development, circuit rider maintenance and emergency response, training, the Bulk Fuel Revolving Loan Fund program, and the Power Project Fund loan program:

- Bulk fuel storage upgrades - AEA manages the design and construction of tank farm consolidation projects in rural communities. As described in the department's capital budget request, recent funding has been provided primarily by the Denali Commission, supplemented by additional federal funds from agencies such as HUD and by State capital appropriations.
- Rural power system upgrades - AEA manages the design and construction of upgrades and replacements to diesel powerplants and electrical distribution systems in rural communities. Recent funding has been provided primarily by the Denali Commission.
- Power cost equalization (PCE) - Program administration is divided between the Regulatory Commission for Alaska (RCA) and AEA. RCA determines the amount of PCE per kilowatt hour to be paid in each community to each eligible customer. AEA's main task is to review the monthly reports on eligible usage of electricity from the participating utilities and to issue the monthly PCE payments based on the amount of eligible usage and the approved PCE rate. AEA calculates the pro-rated PCE level based on the current appropriated funding level.
- Energy conservation and alternative energy development – Through Reimbursable Services Agreements with Alaska Housing Finance Corporation, AEA receives federal State Energy Program funding to provide technical and financial assistance to rural schools and other institutional energy consumers for energy efficiency improvements. As described in the capital budget request, AEA also manages the federally-funded biomass energy program, participates in wind energy development, and works with the U.S. Department of Energy and rural utilities on a wide range of alternative energy initiatives.
- Circuit rider maintenance and emergency response - AEA contracts with private firms to provide minimal maintenance and emergency response for rural electric utilities. AEA personnel provide contract supervision and supplemental services in the field as needed.
- Training – Denali Commission provides training funds via an RSA through the Department of Labor to the Alaska Energy Authority to fund a program that sends powerplant operators and bulk fuel operators to the Alaska Vocational Technical Center (AVTEC) for training. In addition, the RSA includes funding for utility clerk training.
- Bulk Fuel Revolving Loan Fund - AEA evaluates loan applications for purchase of bulk fuel supplies, issues loans, collects payments, and works with purchasers and fuel distributors as necessary to finance bulk fuel purchases.
- Power Project Fund - AEA evaluates loan applications, issues loans, collects payments, and works with eligible borrowers as necessary to finance eligible projects.

### Component Goals and Strategies

For both bulk fuel storage consolidation and rural power system upgrades, accelerate project development to take full advantage of the recent and expected increases in Denali Commission funding.

Continue to issue accurate and timely PCE payments to eligible utilities. Accurately pro-rate the PCE levels as statutorily required.

Through training and technical assistance, improve local capabilities to properly manage, operate, and maintain electric utility and bulk fuel storage systems.

By providing preventive maintenance, emergency response and utility system upgrades, eliminate safety hazards and prevent or resolve electrical emergencies in rural communities.

Provide efficient and effective management of capital projects.

Develop and implement alternative energy technologies and assess their potential to reduce energy costs in rural Alaska.

### **Key Component Issues for FY2003 – 2004**

Increased funding from the Denali Commission offers a rare opportunity to upgrade both fuel storage facilities and electric utility systems in rural Alaska on a broad scale. A key issue for AEA is to provide sufficient management resources and accelerate the pace of project development so that rural communities can realize as much benefit as possible from this opportunity.

The need to reduce energy costs in rural Alaska has become more urgent due to the sharp increase in fuel prices that has occurred during the past year. Strategies to reduce these costs through energy production efficiencies, energy production alternatives, and energy conservation need to be clearly identified, developed, and aggressively implemented.

Recent growth in the construction of new power supply and bulk fuel storage projects highlights the need for consistent operations, maintenance, and management skills among the local owners of these facilities. Appropriate training is necessary not only at the time of project completion but will also be needed periodically in the future given the expected turnover of facility operators.

A continuing issue is to reduce the number of power system emergencies due to failures in electrical generation and transmission systems, and to reduce the number of fuel supply emergencies due to inadequate bulk fuel storage facilities.

### **Major Component Accomplishments in 2002**

AEA was awarded a \$5.0 million U.S. Department of Agriculture Rural Development grant for the Bulk Fuel Revolving Loan Fund to help address the increased demand.

AEA completed bulk fuel storage consolidations and upgrades in 7 communities totaling \$18.0 million. Started preliminary design work on 16 additional bulk fuel storage projects.

AEA completed rural power system upgrades in 2 communities totaling \$4.0 million. Started preliminary design of rural power system upgrades in 12 villages with total estimated construction costs of \$25.0 million.

Responded to electrical emergencies in 8 communities for a total cost of \$680,700. The emergencies were primarily due to diesel engine or electrical failures of the generator.

### **Statutory and Regulatory Authority**

AS 42.45	Rural and Statewide Energy Programs
3 AAC 106	Loan Programs
3 AAC 107	Grant Programs
3 AAC 160	Rural Development Assistance and Bulk Fuel Storage Facility Grant Programs

**Energy Operations**  
**Component Financial Summary**

*All dollars in thousands*

	FY2002 Actuals	FY2003 Authorized	FY2004 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	142.6	124.5	124.5
73000 Contractual	2,140.1	2,609.6	2,609.6
74000 Supplies	20.2	18.0	18.0
75000 Equipment	16.1	5.0	5.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>2,319.0</b>	<b>2,757.1</b>	<b>2,757.1</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	0.0	68.3	68.3
1004 General Fund Receipts	289.7	288.6	288.6
1007 Inter-Agency Receipts	328.2	155.1	155.1
1061 Capital Improvement Project Receipts	851.5	1,158.9	1,158.9
1062 Power Project Loan Fund	807.5	835.2	835.2
1074 Bulk Fuel Revolving Loan Fund	42.1	51.0	51.0
1108 Statutory Designated Program Receipts	0.0	200.0	200.0
<b>Funding Totals</b>	<b>2,319.0</b>	<b>2,757.1</b>	<b>2,757.1</b>

**Energy Operations**  
**Proposed Changes in Levels of Service for FY2004**

None.

**Summary of Component Budget Changes**  
**From FY2003 Authorized to FY2004 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2003 Authorized</b>	288.6	68.3	2,400.2	2,757.1
<b>FY2004 Governor</b>	288.6	68.3	2,400.2	2,757.1